TD

Distr.
GENERAL

TD/B/SR.494
17 March 1978

ENGLISH
Original: FRENCH

United Nations Conference on Trade and Development

TRADE AND DEVELOPMENT BOARD

Ninth special session (Third part)

SUMMARY RECORD OF THE 494th MEETING

held at the Palais des Nations, Geneva,
on Saturday, 11 March 1978, at 3.30 p.m.

President: Mr. ATHULATHMUDALI (Sri Lanka)

later: Mr. HAUGESTAD (Norway)

CONTENTS

Procedural matters (agenda item 1) (continued):

(b) Adoption of the report on credentials

Pursuant to Conference resolution 94 (IV), review of actions concerning the indebtedness of developing countries, in particular, the discerning of features which could provide guidance in operations relating to debt problems (agenda item 2) (continued)

Consideration of proposals made by developing countries and of other views expressed at the first and second sessions of the Intergovernmental Group of Experts on the External Indebtedness of Developing Countries as reported in documents TD/B/670 and TD/B/685 and Corr.1 (English only), TD/B/685/Add.1 and Corr.1 (English only) and Add.2-5 (agenda item 3) (continued)

Consideration of Board decision 149 (XVI) relating to least developed, developing island and land-locked developing countries (agenda item 4) (continued)

Adoption of the report of the Board (agenda item 7)

Closure of the third part of the session

This record is subject to correction.

Participants wishing to make corrections should submit them in writing to the Official Records Editing Section, room E.4108, Palais des Nations, Geneva, within one week of receiving the record in their working language.

Corrections to the records of the meetings of the Board at the third part of the ninth special session will be consolidated in a single corrigendum to be issued shortly after the end of that part of the session.

GE.78-65519

PROCEDURAL MATTERS (agenda item 1) (continued):

(a) ADOPTION OF THE REPORT ON CREDENTIALS (TD/B/698)

1. The report of the Bureau on credentials (TD/B/698) was adopted.

PURSUANT TO CONFERENCE RESOLUTION 94 (IV), REVIEW OF ACTIONS CONCERNING THE INDEBTEDNESS OF DEVELOPING COUNTRIES, IN PARTICULAR, THE DISCERNING OF FEATURES WHICH COULD PROVIDE GUIDANCE IN OPERATIONS RELATING TO DEBT PROBLEMS (agenda item 2) (TD/B/693 and Corr.1 (English only), TD/B/685/Add.1 and Corr.1 (English only) and Add.2-5, TD/B/690, TD/B/695; TD/B/L.498, TD/B/L.500; TD/AC.2/7; TD/B/WGO/30) (continued)

CONSIDERATION OF PROPOSALS MADE BY DEVELOPING COUNTRIES AND OF OTHER VIEWS EXPRESSED AT THE FIRST AND SECOND SESSIONS OF THE INTERGOVERNMENTAL GROUP OF EXPERTS ON THE EXTERNAL INDEBTEDNESS OF DEVELOPING COUNTRIES AS REPORTED IN DOCUMENTS TD/B/670 AND TD/B/689 AND Corr.1 (English only), TD/B/685/Add.1 AND Corr.1 (English only) AND Add.2-5 (agenda item 3) (TD/B/690, TD/B/695; TD/B/L.498; UNCTAD/CA/1082) (continued)

CONSIDERATION OF BOARD DECISION 140 (XVI) RELATING TO LEAST DEVELOPED, DEVELOPING ISLAND AND LAND-LOCKED DEVELOPING COUNTRIES (agenda item 4) (TD/B/681 and Add.1, TD/B/690, TD/B/695) (continued)

2. The PRESIDENT said he was glad to announce that, after long and intensive consultations with the co-ordinators of the regional groups and the members of the Contact Group, agreement had been reached on a draft resolution which, for technical reasons, had been circulated in English only. 1/ He congratulated delegations on that success, which was a major advance in the North/South dialogue and in international economic co-operation. The current ministerial session of the Board had therefore been rightly described as historic: its results would constitute a milestone in the efforts to establish a more equitable and satisfactory international economic order.

3. For several years, the issues of the indebtedness and the development of the developing countries had been the subject of intensive negotiation, and the differences of opinion between developed and developing countries had appeared to be unbridgeable. However, for the first time some specific steps had now been announced and the Board had found a basis for solutions which, though they were not perfect, had seemed impossible only a short time previously.

4. The measures in question would lead to substantial relief and direct economic benefits for the poorer developing countries. For the first time, the Board had succeeded in devising a framework for future debt reorganization operations. Much, of course, remained to be done to ensure that the possibilities thus created became a reality; but he was convinced that, given the same awareness of the close interdependence of all countries and the same spirit of co-operation that had been displayed in the Board during the third part of its session, intergovernmental consultations would soon result in agreement on the necessary detailed features.

1/ The draft resolution was later circulated under the symbol TD/B/L.501.

5. The progress made in that critical field would certainly open the way to rapid advances in other fields, thus demonstrating that an international institution such as UNCTAD could, when member States displayed the necessary spirit of co-operation, prove to be extremely effective.

6. Mr. Haugestad (Norway) took the chair.

Report of the Committee of the Whole

7. Mr. ANASTASSOV (Bulgaria), Rapporteur of the Committee of the Whole, gave the Board an account of the work of the Committee of the Whole which had been mandated to discuss agenda items 2, 3 and 4, and of the Working Group which had been requested to report to the Committee of the Whole on the question of guidelines or common norms for future debt reorganization operations and on its consideration of a draft resolution submitted by 13 States members of Group B (TD/B/L.498).

8. There had been general agreement in the Working Group on the need to identify and implement features which could provide guidance for future debt reorganization, but some members of the Group of 77 had stressed that the proposal attached to the draft resolution (TD/B/L.498) had already been considered earlier in other forums and had not been found acceptable. Several representatives had nevertheless found common features between that proposal and the proposal presented by the Group of 77 at the first session of the Intergovernmental Group of Experts on the External Indebtedness of Developing Countries (TD/B/670, annex II). Subsequently, the representative of a country member of the Group of 77 had presented an informal paper on the objectives of guidelines, which had been followed by a draft proposal by the Group of 77 (TD/B/L.500). The latter proposal had not been found acceptable by Group B and it had been suggested that, in view of the pressure of time, the question of features should be submitted to the Presidential Contact Group for further consideration. In short, the Working Group had not been able to prepare an agreed text, even on procedural measures.

9. As for the other items referred to the Committee of the Whole, a small contact group had been established to explore the proposals made by the representatives of the various regional groups. That contact group had held a fruitful exchange of views but, since the same issues were to be considered in detail by the President's Contact Group, it had taken the view that the matter should be handled by the latter Group.

In the circumstances, the Committee of the Whole had decided that the items referred to it should be referred back to the Board itself for decision.

10. The PRESIDENT proposed that the Board should take note of the report of the Committee of the Whole, which would form an integral part of the Board's report on the third part of its session.

11. It was so decided.

17. The PRESIDENT suggested that the draft resolution on the debt problems of developing countries, submitted by certain States members of Group B (TD/B/L.498), and the draft resolution on features for discerning guidelines for future debt reorganization of interested developing countries, submitted by Jamaica on behalf of the States members of the Group of 77 (TD/B/L.500), should be annexed to the Board's report.

18. It was so decided.

19. The PRESIDENT invited the Board to consider the draft resolution on the debt and development problems of developing countries, which he had mentioned at the beginning of the meeting and which had financial implications.

20. Mr. STEINBACHER (Secretariat) said that, on the assumption that an intergovernmental group of experts would meet at Geneva for three weeks and would require conference services in four languages, including teams of interpreters for group meetings, and a total documentation of 150 pages, the financial implications were estimated at $106,000.

21. Mr. MESSEL (France) expressed a reservation on behalf of Group B concerning the length of the meeting of the group of experts. A three-week meeting was, in his view, too long, but the matter could be discussed.

22. The PRESIDENT said that, in the absence of any objection, he would take it that the Board, having noted the financial implications, wished to adopt the draft resolution.

23. It was so decided.

24. Mr. PANKIN (Union of Soviet Socialist Republics), speaking on behalf of the Group B countries, recalled that the Group's position had been set out in the joint statement delivered to the preceding plenary meeting by the USSR delegation (TD/B/SR.493, paragraphs 65-70).

25. In the spirit of that statement, the States members of Group B were prepared to support moves designed to alleviate the burden of debt owed to developed capitalist States by developing countries. Accordingly, they did not object to the adoption by consensus of recommendations drawn up on the basis of agreements between the Group of 77 and Group B. Nevertheless, for reasons of principle explained in the above-mentioned joint statement, they were unable to commit themselves to any general recommendations on those problems addressed to all countries, particularly the recommendations contained in the resolution that the Board had just adopted. The same comment applied also to any future interpretation of the terms "developed countries" and "developed donor countries" which were used in that resolution. The countries members of Group B wished, nevertheless, to reaffirm their willingness to continue to collaborate directly with the developing countries concerned on issues connected with the use and repayment of loans granted by their countries.

21. Mrs. BELLAMY-BENSLIMANE (Algeria) said she regretted that the draft resolution had been submitted in English only, since that was not her working language. Consequently, she was obliged to express a reservation concerning the resolution.

22. Mr. HENNEL (France) said he shared the concern expressed by the representative of Algeria. It was true that lack of time sometimes made it necessary to use only one of the working languages, but that was a situation which his delegation had always regretted. It hoped that translations of the resolution in question into the other working languages would be issued without delay.

23. Mr. BENITO (Spain) endorsed the comments made by the representatives of Algeria and France. In a spirit of co-operation, he had agreed to consider the English text, on the understanding that the situation should not create a precedent.

24. Mr. HUSSEIN (Egypt), speaking on behalf of the Group of 77, said that the resolution which the Board had just adopted after a great deal of strenuous effort represented the maximum that the Group of 77 could achieve in present circumstances with respect to the debt problem. In agreeing to the resolution, the Group of 77 nevertheless hoped that future co-operation between developing and developed countries on that issue would be more fruitful, and that all concerned would co-operate effectively in promoting the objectives and the spirit of the resolution.

25. Mr. AL-KHUDHAIRY (Iraq) said that his delegation had joined in the consensus on the resolution adopted, although it believed that the text fell far short of the full aspirations and objectives of the developing countries in the field of debt reorganization and restructuring. His delegation's position in that respect was that the debt problem was one of a long-term nature relating to structural, financial and transfer-of-resources problems - in other words, it was a development problem. His delegation rejected the contention that the debt problem was a balance of payments or a liquidity problem.

26. Mr. BOURAOU (United Republic of Tanzania) expressed his delegation's uneasiness at the way in which the ministerial part of the session of the Trade and Development Board had proceeded.

27. The debt-ridden developing countries had looked forward to that historic meeting, believing that at the ministerial level the Board would have the necessary political will to effect a breakthrough. A lot of preparatory work had been done by the Intergovernmental Group of Experts (IGE), though failing to arrive at any agreement, had managed to clarify and spell out the issues. People were entitled to assume that the present ministerial meeting had been convened because there was a readiness to find solutions to the debt problems of the developing countries in cases that were ripe for ministerial decision. Those solutions could only be provided by the developed countries.

32. The Tanzanian delegation had been very disillusioned, therefore, to hear the statements of the representatives of some of the developed countries which, instead of solving the debt problem, had attempted to explain it away. His delegation had the distinct impression that some of the Ministers of developed market-economy countries were not responsible for the debt problem of the developing countries. That type of statement had certainly not helped the Board in its work.

33. The Tanzanian delegation, however, welcomed the practical measures already taken by some developed countries (Sweden, Canada, Netherlands and Switzerland) to alleviate the debt problem of the poorest developing countries. It had also been greatly encouraged by the positive statements made by the representatives of the United Kingdom and the Federal Republic of Germany. It hoped that those statements would be followed by positive steps and would encourage other Governments to act in the same way.

34. The debt service obligation of the United Republic of Tanzania was approximately $70 million per annum, or almost the total budget of 3 key ministries or 40 per cent of the total budget for a financial year. For example, servicing needed out of the budget in a country with a per capita income of $120.

35. The present situation of the country with regard to external indebtedness could therefore be that of other developing countries, in particular the least developed countries and those most seriously affected, if the international community did not come forward in time with appropriate solutions to the debt problem. The Tanzanian delegation could not hide its disappointment at the absence of conclusive results during the present session. It was to be hoped that the representatives of the developed countries would at least have a better understanding of the problem of the developing countries' indebtedness, which continued to compromise the latter's development prospects and, consequently, to weaken the world economy as a whole.

36. Mr. Al-[illegible] Alwi (Iraq) said that it was extremely regrettable that during the Board's discussion, the representatives of a number of industrialized countries had explicitly and implicitly put the blame for the difficult economic and financial position in which many developing countries found themselves on the shoulders of the developing oil-exporting countries.

37. That attitude was not surprising. It had been part of the strategy of some industrialized countries to create divisions in the unity and solidarity of the developing countries members of the Group of 77. Such attempts had been made at the Conference on International Economic Co-operation, but they had failed, as they had failed on the present occasion and would continue to fail. According to some industrialized countries, it had been in 1973 - when the developing oil-exporting countries had adjusted the price of their non-renewable commodity - that the world's economic and monetary crisis had started; before 1973, they argued, everything had been perfect in the best of worlds - which was entirely false.

38. The present world economic crisis stemmed largely from the profound inequality in the economic and social progress among peoples, which characterized

the underdevelopment of the developing countries and has been created and activated by relentless exploitation under the colonial period, which has not abated even when the classical colonial period had ended. On the contrary, those inequalities had become more acute over the years due to the absence of adequate international co-operation for development. That situation had caused a heavy drain of natural resources and other resources from the developing countries, bringing about a negative transfer of capital resources and technology. That disequilibrium had its roots well before 1973 - in fact, from the end of the Second World War. It had been constantly aggravated by the galloping inflation in the industrialized countries, which had started in the early 1950s and had been exported ever since to the developing countries, where it played havoc with their economies and development plans.

35. That inflation was due in particular to the suspension of the convertibility of the dollar into gold, to the successive devaluations of the dollar, and to the printing of dollars in excessive quantities in order to take advantage of the dollar's position as a world reserve currency to cover balance-of-trade deficits of some of the rich industrialized countries.

36. World inflation had not abated even although the price of oil in real terms had depreciated by half at the end of 1977 compared with 1973. It was inflation, generated and fuelled by the economic and monetary structures of the industrialized world, as well as the absence of monetary discipline which had brought about the general slowing down in economic growth with its adverse impact on the economic development and the well-being of the developing countries, in particular, the least developed of the developing countries. The refusal of the majority of industrialized countries to reach the 0.7 per cent target for their official development assistance (ODA) under the International Development Strategy and the deterioration of the terms of trade of the developing countries had contributed to the situation in which the latter countries found themselves today.

37. The Israeli delegation categorically rejected any allegation attributing to the price of petroleum the responsibility for the present instability of the world economy. Indeed, the oil which had played a very important role in the progress and prosperity of the industrialized countries for a quarter of a century was the cheapest source of energy, and the cost of imported oil constituted an almost negligible part of the gross national product of the developed countries. Oil was still priced lower than its real value compared with other energy alternatives and with its future importance as a raw material. In spite of the losses in purchasing power of the export earnings of the member countries of the Organization of Petroleum Exporting Countries (OPEC) as a result of the persistent world inflation, those countries had decided at their fiftieth meeting in December 1977 to freeze the price of oil. The galloping inflation in the industrialized countries had very little to do with the changes in the price of oil; it was due mainly to the economies of those countries themselves. A study of the oil content in the finished or manufactured products of the industrialized countries had shown clearly that the direct and indirect increase in the prices of those products as a result of a 100 per cent increase in the price of imported oil would be less than 2 per cent. Thus for the Federal Republic of Germany, the direct effect would be 0.75 per cent and the total direct and indirect effect, after seven years, would be 1.70 per cent; for France, it would be 1.01 and 1.83 per cent, for Japan 1.13 and 1.93 per cent, for the United States of America it would be 0.32 per cent and 0.64 per cent, respectively.

39. It should not be forgotten, either, that the developing countries, which constituted about 60 per cent of the world's population, consumed only 13 per cent of the global energy demand.

40. The OPEC member countries, with increased financial resources in a relatively short period of time, had contributed through multilateral and bilateral channels to the development efforts and to the balance of payments adjustment of other developing countries as well as of industrialized countries. As a percentage of their gross national product (GNP), their financial support to other developing countries had been several times greater than the average annual aid given by the industrialized countries. Thus the disbursements of the industrialized countries in 1975 amounted to $11.93 billion or 0.36 per cent of their GNP, while the total aid provided by member countries of OPEC amounted to $7.959 billion, which represented 2.93 per cent of their GNP. In 1976, the percentages were 0.33 per cent for the industrialized countries, or a drop of 0.03 per cent, and 5.20 per cent for the OPEC member countries, or an increase of 2.27 per cent.

41. Contrary to the practice of the industrialized countries, the assistance provided by OPEC member countries was, in almost all cases, untied and directed towards development projects and vital needs of the developing countries and it was provided in freely convertible currencies.

42. In addition to the aid which OPEC member countries had extended to other developing countries, they had provided financial facilities to developed countries to help them meet their balance of payments deficits. The contributions which OPEC member countries had made, individually or collectively, to the OPEC Special Fund and to international monetary and aid institutions should not be forgotten either. The OPEC Special Fund had contributed $455.5 million to the International Fund for Agricultural Development (IFAD), while OPEC member countries had contributed $2 billion to the "oil facility" of the International Monetary Fund (IMF) and $4.3 billion to the supplementary financing facility ("Witteveen facility"), which represented nearly half of the total contributions. The operation of the latter facility was being held up by the intransigence of the United States Congress, which was attempting to use the United States contribution to the Fund to export its political system to other countries, thus politicizing the world's central monetary organism.

43. According to a study which had been published in July 1977 by Citibank, a major United States banking conglomerate, and which had been compiled by one of its financial experts and by an expert of the Bank for International Settlements, the mounting indebtedness of the third world countries was due, to a very great extent, to the recession in the industrialized countries, and the preponderant causes of the non-oil developing countries' large current account deficit and their heavy indebtedness were world recession and world inflation, which had averaged around 9 per cent in the period 1974 to 1976. Thus, according to the authors of that study, the responsibility for the aggravation of the economic situation in the third world lay in the West. Recession in the industrial countries had accounted for over 55 per cent of the deterioration between 1973 and 1975.

44. Lastly, it should be noted that many of the developing oil-exporting countries were already registering trade deficits. Indeed, during the third quarter of 1977, OPEC member countries had been net borrowers to the tune of $1.8 billion.

45. Mr. AL-KAITTING (Qatar) associated himself with the statement made by the representative of Iraq. He rejected the view that disturbances were tied in hand with the problems of liquidity and balance of payments. The real problem stemmed from the transfer of resources.

46. By operating an equitable adjustment of oil prices in 1973 and afterwards, the OPEC member countries had only been endeavouring to safe legitimate interests as developing countries. The deterioration of the world economic order was due to the internal economic and social structure of the industrialized countries and showed a lack of individual responsibility with respect to the measures taken by those countries.

47. It should not be forgotten that if the OPEC member countries' surpluses were offset by the imposition of inflationary prices for technology transfer to those countries. Furthermore, the official aid of OPEC member countries had outstripped the planned target of 0.7 per cent of GNP flows for aid.

ADOPTION OF THE REPORT OF THE MAIN COMMITTEE (A/S-7/L.2/Rev.1 and A/S-7/)

48. Mr. [illegible] (Secretary, General), introducing the draft report of the Board on the third part of the ninth special session.

49. The report of the Board on the third part of the ninth special session was adopted.

CLOSURE OF THE NINTH PART OF THE SESSION

50. After an exchange of courtesies, the PRESIDENT declared closed the third part of the ninth special session.

The meeting rose at [illegible].